# Presentation to Police – Fire Pension Fund Citizen's Task Force

May 13, 2009





# **Defined Benefit Plan (DB Plan)**

- Benefits are *formula* derived, based on salary and service
- Benefits are *not* dependent on performance of plan investments



# **Basic Balancing Formula**

$$B + E = C + I$$



$$B + E = C + I$$

- E Relatively insignificant
- I Assumption is +7.5%/year, net of expenses;
   market performance outside sponsor control
- C 28.88% of payroll currently by City; approximately 11% by Members
- B Benefits for current and future retirees



# Quinquennial Studies Due June 30, 2009

- Adjust Member contribution rate on the "0.3" extra multiplier
- Assumption Study
  - Key assumptions to be reviewed:
  - Investment Return (currently 7.5%, net of expenses)
  - Mortality (1983 Group Annuity, modified)
  - Pay increases
  - Amortization of Unfunded Accrued Liability



### **History**

#### **GASB 25 and 27 Disclosure Information**

Schedule of Funding Progress

Date of	Actuarial	Entry Age Normal Accured	Unfunded Accrued	Funded	Covered
Date of	Actuariar	Accurca	omunaed Accided	1 dilded	Covered
<u>Valuation</u>	Asset Value	<u>Liability</u>	Liability (UAL)	Ratio	Payrol1
June 30, 1999	116,424,865	150,252,731	33,827,866	77.50%	18,448,343
June 30, 2000	124,461,663	155,782,143	31,320,480	79.90%	19,046,000
June 30, 2001	129,479,927	168,344,798	38,864,871	76.90%	20,222,061
June 30, 2002	129,854,216	179,125,555	49,271,339	72.50%	22,142,466
June 30, 2003	129,848,871	195,974,774	66,125,903	66.30%	22,816,675
June 30, 2004	130,419,433	238,755,058	108,335,625	54.60%	24,104,871
June 30, 2005	130,496,305	250,849,523	120,353,218	52.00%	23,866,496
June 30, 2006	133,494,217	263,813,767	130,319,550	50.60%	23,746,840
June 30, 2007	138,890,814	277,861,524	138,970,710	50.00%	23,863,923
June 30, 2008	140,780,239	295,579,925	154,799,686	47.60%	24,695,779



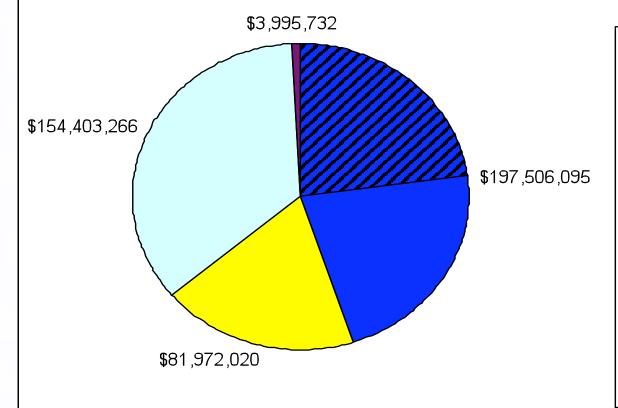
# **Task Force Charge**

"... Determine the *scope* of the problem and the *level of urgency*..."



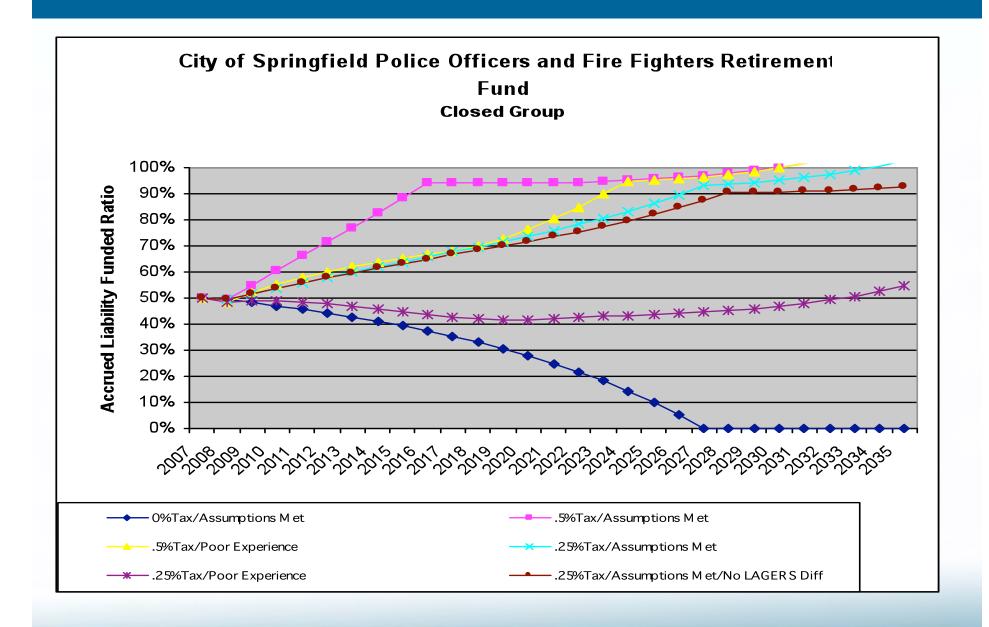
# City of Springfield Police Officers and Fire Fighters' Retirement Fund

**Breakout of Present Value of Benefits by Category** 



- Market Value of Assets
- Inactive Participants (Retirees, Beneficiaries, Disabled, Deferred)
- □ Active Accrued Benefits
- ☐ Future Benefits Actives Hired Pre June 2006
- Future Benefits Actives Hired Post June 2006







### **Projection of Expected Benefit Payments on a Closed Group Basis**

	Expected		Expected		Expected
Plan Year	Benefit Payments	Plan Year	Benefit Payments	Plan Year	Benefit Payments
Ending	Closed Group	Ending	Closed Group	<b>Ending</b>	Closed Group
June 30, 2009	16,359,000	June 30, 2019	26,000,000	June 30, 2029	36,567,000
June 30, 2010	16,951,000	June 30, 2020	27,103,000	June 30, 2030	37,274,000
June 30, 2011	17,855,000	June 30, 2021	28,355,000	June 30, 2031	37,674,000
June 30, 2012	19,038,000	June 30, 2022	29,756,000	June 30, 2032	37,904,000
June 30, 2013	19,947,000	June 30, 2023	30,940,000	June 30, 2033	38,125,000
June 30, 2014	20,664,000	June 30, 2024	32,243,000	June 30, 2034	38,281,000
June 30, 2015	22,091,000	June 30, 2025	33,582,000	June 30, 2035	38,433,000
June 30, 2016	22,916,000	June 30, 2026	34,638,000	June 30, 2036	38,472,000
June 30, 2017	24,065,000	June 30, 2027	35,497,000	June 30, 2037	38,530,000
June 30, 2018	24,912,000	June 30, 2028	35,931,000	June 30, 2038	38,435,000



# **Assumption Analysis**

- Mortality table update likely to increase Accrued Liability 2 – 5%

- An adjustment to the 7.5% investment return assumption will raise Accrued Liability

- Possible modification of amortization methodology

